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Summary record of the 10th meeting
Held at Headquarters, New York, on Monday, 14 April 2014, at 3 p.m.

President: Mr. Oh Joon (Vice-President) ..... (Republic of Korea)
Mr. Dabbashi (Vice-President) ..... (Libya)

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In the absence of Mr. Sajdik (Austria), Mr. Oh Joon (Republic of Korea), Vice-President, took the Chair.

The meeting was called to order at 3.20 p.m.

Coherence, coordination and cooperation in the context of financing for development for sustainable development and the post-2015 development agenda (E/2014/53) (*continued*)

Thematic debate on theme 2: "Mobilization of financial resources and their effective use for sustainable development"

Presentation by Mr. Majanen (Co-Chair, Intergovernmental Committee of Experts on Sustainable Development Financing)

1. **Mr. Majanen** (Co-Chair, Intergovernmental Committee of Experts on Sustainable Development Financing) said that the Intergovernmental Committee of Experts on Sustainable Development Financing was composed of 30 experts from various States Members of the United Nations and regional groups. Its activities had begun in August 2013 and would conclude in September 2014 with the submission of its report to the Secretary-General. The Committee's work and forthcoming recommendations were based on four pillars, namely the Millennium Declaration and its universality, the process set in motion by the United Nations Conference on Sustainable Development (Rio+20), the Monterrey Consensus on Financing for Development, and a multi-stakeholder approach aimed at finding global solutions to global problems.

2. Recalling that development financing went beyond official development assistance (ODA), he noted that the Committee strove to add value to its analyses, proposals and recommendations by examining the interplay between domestic, international, private and public sources of financing, and to determine the type of financing and grades of concessionality required for each country based on its individual situation. It would also take into account the interrelated nature of the economic, social and environmental dimensions of sustainable development. Two of three clusters established to address specific issues covered by the Committee's mandate had concluded their work, with the third slated to finish by the Committee's next session in May 2014. The proposals contained in each cluster's report would serve as the basis for the Co-Chairs' draft report, to be considered at the forthcoming session.

3. The Committee was also working closely with the Open Working Group on the Sustainable Development Goals to create an integrated content and financial framework for the post-2015 development agenda. The cooperation between the two entities was expected to result in strong coherence in the content of their respective reports. While no final conclusions had been reached as yet, there was a broad understanding of the proposals that would be made, including an agreement that ODA, while insufficient as the sole source of sustainable development financing, would remain crucial, especially in eradicating poverty in least developed countries and countries in particular circumstances.

4. Determining needs and the amount of financing required was a crucial element of the Committee's work. An analysis of the quality of existing flows and financial mechanisms and systems showed that considerable amounts of money were available in international savings and assets. Financial resources could also be freed up if bad policies that hampered sustainable development were reversed. The political will must be found to redress such policies and to combat corruption and illicit capital flows, thereby improving resource management. The private sector, which comprised not only large public corporations but also informal sector entities and small and medium enterprises, also had a significant role to play in sustainable development financing and should be encouraged accordingly.

5. The Committee's outreach meeting on sustainable development financing held in Helsinki, on 3 and 4 April 2004, had provided a valuable opportunity to examine existing private sector development financing partnerships and success stories in particular, and opportunities for new partnerships. The meeting had found that the moral commitments of the private sector must be translated into concrete action. Evidence-based experience proved that commercial viability and economic feasibility could materialize at the same time, debunking widely held perceptions of an in-built contradiction between private and public sector objectives. Recommendations made at the meeting — to be submitted to the Committee for final decision — included making sustainable development an essential element in corporate strategies and a core corporate competence; creating innovative public-private

partnerships more systematically and in a way that ensured wider participation from all stakeholders; closing the gap between private and social returns; focusing on the quality rather than the quantity of investments and partnerships; and ensuring that all human economic activities, whether public or private, were based on sustainable development criteria.

Presentation by Mr. Muhtar (Co-Chair, Intergovernmental Committee of Experts on Sustainable Development Financing)

6. **Mr. Muhtar** (Co-Chair, Intergovernmental Committee of Experts on Sustainable Development Financing) said that the full range of funding resources — public, private, domestic and international — must be harnessed effectively in order to finance the post-2015 development agenda, with a focus on adequacy, predictability, efficiency and sustainability. Existing synergies and complementarities must be exploited, and differences in funding needs must also be taken into account. While being an unquestionably central element in development financing, particularly for least developed countries, ODA alone would not be sufficient to meet development needs, even if all the commitments related thereto were fulfilled. ODA must therefore be used as a catalyst to mobilize other sources of funding.

7. Domestic resource mobilization was gaining crucial significance, with developing countries leading the way, aware of the potential for domestic resources to complement and augment other resources that had traditionally shaped the development discourse. To that end, sound policies and institutions were essential to fostering the domestic growth that would be required. International cooperation would also be needed to address such challenges and disincentives as tax evasion and illicit flows. There was great potential for savings by eliminating wasteful subsidies and redirecting the funds to support development efforts. Although progress had been made in identifying innovative sources of financing, including remittances, carbon taxes and financial transactions, more remained to be done, particularly in clarifying their scalability, replicability and other aspects.

8. The private sector had the largest potential stream of funding for development, and even a marginal increase in funding flows from that sector could make a significant difference. However, despite progress made, significant challenges remained, including unevenness across sectors and geographic spaces and volatility. The key issue was determining what kinds of public policies were needed to create the right incentive structure for additional private investment in sustainable development, and figuring out how to effectively use private resources to catalyse additional private sector flows through risk mitigation techniques without unwarranted and unmerited transfers of risk to the public sector.

9. Ultimately, all those aspects would have to be brought together under a single, unified and integrated financial framework, through the engagement of Member States and other actors in a transformative and creative global partnership founded on solidarity. The universality of the Millennium Declaration and the concepts of mutual responsibility and common values embodied therein, on their own, would not suffice to ensure that the private sector formed part of the social compact. More attention, therefore, needed to be paid to finding greater convergence of incentives and ways to catalyse the private sector's participation in financing for development.

10. **Mr. Mohieldin** (Special Envoy on the Millennium Development Goals and Financial Development, World Bank Group) said that the main sources of development finance, namely, government and domestic resources, including the domestic private sector linked to development finance; international financial sources; emerging development actors, including private aid sources; and ODA were all important in financing for development. Both donors and recipients of aid benefited from ODA contributions. However, reliance on government resources posed a number of challenges, including the need to improve tax capacity, remedy wasteful spending and allocate sufficient funds to alleviate poverty. In addition, there was a need to curb illicit financial flows, which were very serious in some countries.

11. Despite its recent increase, ODA alone would not be enough to fund sustainable development. The various sources of financing must be mobilized together in order to provide adequate sustainable funding for the future development goals. In that regard, the private sector would make a good development partner, given its significant role in job creation, provided that it was allowed to be competitive and supported by adequate investment in human capital, infrastructure and the business environment. Corporate social responsibility must be factored into

the very activity of the private sector, rather than regarded as optional. The emerging role of philanthropy and foundations, both large and small, must also be taken into account. Moreover, in terms of growth, a trickle-down effect could no longer be assumed; rather, the inclusivity of growth — equitable growth that was balanced across regions and genders and that would create jobs — needed to be considered from the outset.

12. Meeting developing countries' cumulative infrastructure financing needs would require an enormous mobilization of private financing from external sources. In that connection, effective institutions, good policies, an adequate legal regulatory framework, project preparation, appropriate financial regulation and development of domestic capital markets would be crucial. The role of foreign direct investment in developing countries and emerging markets was on the rise. In 2013, the amount of foreign direct investment going to developing countries exceeded the amount going to developed countries for the first time. However, most of that investment was in manufacturing, trade, mining and related sectors, with very little being attracted by social sectors. Efforts were needed to garner interest in investment in health, education, infrastructure and other related areas.

13. Developing countries' access to long-term finance had improved significantly, especially in the critical two years following the financial crisis. Good government policies and a favourable business environment were crucial in fostering long-term finance. It was unwise to assume that the trillions of dollars in assets under management worldwide in pension funds, investment funds and insurance companies would automatically be used to finance sustainable development without the difficult work of communication and creating incentives to attract those funds. Leveraging of the private sector was a positive development, but it too would require effort.

14. The World Bank Group was supporting several initiatives being undertaken with the support local government, the private sector and international partners, including a metro line transport project in Brazil and a private sector power generation project in Kenya. The participation of international finance institutions in syndications helped in extending maturities of private flows to developing countries and hence in the financing of long-term productive investments. The World Bank and multilateral development banks could play an effective role in sustaining development finance in coordination with bilateral donors and the private sector. Once the post-2015 development agenda was in place, the extent to which the multilateral development banks could become directly engaged would become clearer.

15. Based on discussions with the Open Working Group on Sustainable Development Goals and the Co-Chairs of the Intergovernmental Committee of Experts on Sustainable Development Financing, the World Bank Group was considering a study in which it would examine 10 cases involving different countries at different stages of development from all regions and in various situations. The study would be available as an advisory tool for finance ministers and all those interested in development partnerships by the end of May 2014. In closing, he welcomed more suggestions on how to mobilize finance and knowledge capacities and expressed the readiness of World Bank Group finance and economics experts, in cooperation with the International Monetary Fund and the multilateral development banks, to contribute further to the work of the United Nations system.

Interactive dialogue

16. **Ms. Hanfstängl** (Observer for Bread for the World) said that the optimization of economic and social development financing required appropriate public policies and frameworks. Excessive austerity measures were among the causes of the disappointing performance of the world economy and should be countered with effective policies to protect the most vulnerable people. Although the acute effects of the global economic crisis had diminished, many countries continued to employ such measures. A consistent, holistic and modern development framework and renewed momentum for global financial reform were needed to confront global challenges. Though the United States and the European Union had taken encouraging steps in that regard by strengthening their financial regulations, such efforts were insufficient to guarantee a stable financial system.

17. The Monterrey Consensus had been successful in part because it had been designed and monitored by the United Nations, the International Monetary Fund, the World Bank and the World Trade Organization; the third international conference on financing for development would afford a similar opportunity for success. In that connection, she urged the General

Assembly to establish a committee of experts to address such issues as the development of a framework for private-sector financing. Non-governmental organizations were ready to help the conference deliver a framework for international cooperation between economic bodies.

18. **Mr. Jaime Calderón** (El Salvador) said that the structure of international governance should evolve and progress should be made, in particular, toward more representative global institutions. Factors such as climate change had rendered developing world economies, already adversely affected by the global economic crisis, even more vulnerable, causing great economic losses over time. Between 2009 and 2011, his country had suffered five climatic events that had resulted in estimated losses of US$1.3 billion, or 6 per cent of GDP for 2011. Developed nations should fulfil the commitment they had made in Monterrey to contribute 0.7 per cent of their gross national product to ODA.

19. Furthermore, the use of per capita income as the principal factor in classifying countries under the low-, medium- or high-income category and determining the distribution of ODA had resulted in the rapid decline in the amount of assistance received by Latin America. Despite the extremely high number of impoverished persons living in Latin America, that region received only a paltry percentage of ODA. In that connection, the Economic Commission for Latin America and the Caribbean had concluded that an alternative method based on structural gaps should be used to complement that of per capita income in determining the distribution of ODA. Like other regions, Latin America had developed South-South cooperation as a complement to rather than as a substitute for North-South cooperation.

20. His Government was convinced that the post-2015 development agenda should be adopted by the Member States, be the outcome of intergovernmental negotiations, and establish innovative mechanisms for financing and mobilizing resources. It was vital to strengthen the role of the United Nations with regard to financing for development, as well as its coordinating role in global economic governance. It was time to re-establish the legitimacy of international financial organizations through a new global economic constitution.

21. **Mr. Milanovic** (Serbia) said that Serbia attached great importance to raising additional funds to finance sustainable development. Primary responsibility for domestic development fell to individual States; however, most States still required foreign assistance, which could be provided through private sources and foreign direct investment, in addition to ODA. It was vital to stimulate economic growth and address unemployment, particularly among young people. Foreign direct investment and private and public joint ventures would help in achieving that goal. The establishment of the rule of law and the eradication of corruption and organized crime were essential for creating an attractive environment for foreign investment and should be included as separate elements of the post-2015 development agenda and the sustainable development goals.

22. **Mr. Sharma** (Observer for Standard Chartered Bank) said that the private sector would be a key partner in the future of development financing in emerging markets. Standard Chartered Bank had been working closely with multilateral development banks to create the necessary infrastructure for promoting trade in those markets. In the aftermath of the financial crisis, it had collaborated with other private sector banks, Governments and development finance institutions, through such initiatives as the Global Trade Liquidity Programme, to address the shortage of trade finance. The bank had also worked closely with the African Development Bank Group and the International Finance Corporation to set up a programme that provided medium- and long-term, local-currency financing for domestic projects, effectively eliminating issues related to volatile foreign exchange rates and other asset and liability incongruities.

23. **Mr. Favero** (Brazil) said that, as the international community was attempting to define the post-2015 development agenda, it was critical to fully consider the means by which that agenda would be implemented. Developing a new paradigm based on sustained economic growth, social inclusiveness and environmental sustainability required an international enabling environment that would facilitate implementation of the changes advocated. The agenda must be rules-based, transparent and accommodative of the different development stages and priorities of developing countries. The enabling environment must also provide developing nations with the policy tools

and means of implementation necessary to achieve the future sustainable development goals. As such, it was vital to conclude the reforms of the International Monetary Fund, the World Bank and the development-oriented mandate of the Doha Round.

24. Ensuring financial liquidity for the world economy was of the essence. In that regard, the considerable delay in approving the International Monetary Fund's 2010 Quota and Governance Reform had raised doubts as to the Fund's governance structure and capacity to evolve, and as to whether it was appropriate for it to recommend reforms to member countries when it could not implement its own reforms. Even though the Fund was of paramount importance, its future was far from assured, because underrepresented countries could potentially distance themselves from the institution, relying instead on their own international reserves, and building regional and other financial arrangements, such as the Contingent Reserve Arrangement and Development Bank which Brazil, the Russian Federation, India, China and South Africa had agreed to set up.

25. To finance the post-2015 sustainable development agenda, the enduring importance of ODA and proper adaptation of international structures to emerging sources of finance, including South-South and trilateral cooperation and non-State actors, should be recognized. Though ODA would be insufficient to meet the substantial sustainable development challenges, it would remain crucial to poverty eradication efforts. Foreign direct investment and private resources, on the other hand, would be necessary to finance more sustainable patterns of production and consumption. However, to make private capital more effective, coherent policies that were respectful of national policy spaces, priorities and governance structures should be implemented. The interaction of the United Nations system with the private sector, non-governmental organizations and philanthropists should be based on clearly defined, sound principles that were consistent with the development objectives established by Member States in the context of a post-2015 development agenda.

26. **Mr. Karaçay** (Observer for Turkey) said that any mechanism set up to ensure sustainable financing for development must respect the principle of common but differentiated responsibilities in accordance with each country's capabilities. It was therefore vital to adopt a financing strategy for an integrated investment programme and to establish an efficient institutional structure capable of matching available resources with sustainable investment opportunities. In addition, an integrated structure, as opposed to a sector-based financing strategy, should be established to gain synergies generated by investments in the interlinked sectors of sustainable development.

27. Given the inability of national and international public financial sources to meet total investment needs, private financing was placed to become the leading source of the investments required. However, because the sector faced a number of impediments to participate more actively in development investments, the burden of improving risk/reward profiles for the private sector fell to national and international public sources.

28. Though the implementation of regulatory and institutional reforms by national Governments was essential to risk reduction, such efforts were insufficient. Direct risk- sharing via blended financing by sharing costs and/or extending guarantees by Governments and international financing development institutions was more conducive to the mobilization of private funds. Given the limited financial capacity of the public sources in developing countries, international financing sources should be sought. The long-term lending capabilities of international financial institutions and regional development banks should be enhanced through active market-funding and, where appropriate, capital-injection operations.

29. In addition to the development of innovative international financial institution guarantee schemes, technical assistance programmes of international development and financing institutions should be enriched, and effective insurance coverage programmes developed. Turkey believed that the private sector and philanthropic foundations would play a greater role in sustainable development financing, and that rigorously designed guarantee mechanisms to leverage private funding capabilities were crucial. In that connection, public-private partnership models would be an important pillar of sustainable development financing without burdening government budgets. Turkey supported the increasing standardization and formalization of South-South cooperation based on universal accounting and reporting standards. That formalization, however, should not be construed as making such cooperation any less voluntary.

30. Because the use of non-financial means of implementation was as vital as financing sources, access to technology at a reasonable cost underpinned progress in all areas of development. Turkey not only attached great importance to the full implementation of the Istanbul Programme of Action for the Least Developed Countries for the Decade 2011-2020, it also supported collective multilateral actions to achieve additional, stable, predictable and sizeable funding for global sustainable development. Financing for sustainable development, long-term financing for infrastructure and inclusive financing directed at the underserved sectors of economies would be among the priorities of its presidency of the Group of 20 (G20) in 2015. His country was closely following and supporting the work of the Intergovernmental Committee of Experts on Sustainable Development Financing, of which it was a member. The outcome of the Committee's work would be a good basis for the finalization of an implementable sustainable development financing strategy.

31. **Ms. Bidegain Ponte** (Development Alternatives with Women for a New Era) said that it was irrational to expect the private sector to drive the implementation of the sustainable development goals, given its substantial contribution to the current troubling state of global affairs. The mobilization of private resources for sustainable development should be encouraged, but not to the detriment of national and global resources. In that connection, the State-driven nature of the global partnership for development should be reaffirmed. The role played by the private sector should only be discussed after systemic issues had been addressed and strong accountability mechanisms had been implemented.

32. To orient the private sector to sustainable development and human rights, investment protection treaties and free trade agreements should be reviewed to ensure that they met the goals of human rights protection and environmental sustainability. Trade and investment policies should be subject to ex ante and ex post facto gender, human rights and environmental impact assessments. A mechanism should also be established to reverse the "race to the bottom" by addressing the gender pay gap, providing for technology and skills transfer, and ensuring that foreign direct investment was subjected to performance requirements. That mechanism should include a binding multilateral instrument to prevent abuses perpetrated by private actors, and clear criteria for the eligibility and termination of a private sector-government relationship should be established.

33. **Mr. Mohieldin** (Special Envoy and Representative on Millennium Development Goals and Financial Development, World Bank Group) said that issues related to the greater public good, in particular health-related areas, would require global resources. ODA contributions should be scaled up in support of the rising role of South-South cooperation. While foreign direct investment was encouraged, additional efforts were not necessarily required to attract it. If a country was able to convince its local business sector to contribute to development finance, that should be sufficient to attract foreign direct investment. The integrated approach for investment programmes concerning sustainable development proposed by the Turkish delegation was highly recommended. The 10 case studies on sustainable development financing being considered by the World Bank were indeed based on that approach. In terms of innovative finance, current amounts should be scaled up, but not at the risk of endangering the participation of any partner in the financing of sustainable development.

34. **Mr. Majanen** (Co-Chair of Intergovernmental Committee of Experts on Sustainable Development Financing) said that the Committee would seek ways of resolving the increasingly serious security and environmental crises facing the globe, which individual countries were unable to deal with readily. The Committee would also respond to the costly issue of inequality with innovative ideas. The quality of indirect investments, which were generally short term and concentrated on small groups, could be improved. Therefore, an innovative approach should be taken with respect to foreign direct investment. With regard to institutional investors, the Committee would be recommending a number of fresh opportunities, including in wealth funds, insurance companies and pension funds.

35. Regarding relations between the business, private and public sectors, though the Committee recommended a more systematic approach, there had been a number of successes and lessons learned that could be used to build more creative partnerships with the private sector. The Committee's outreach meeting on sustainable development financing held in Helsinki, on 3 and 4 April 2004, was not only a good experience,

but also demonstrated the readiness of the private and public sectors and civil society to discuss such issues.

36. *Mr. Dabbashi (Libya), Vice-President, took the Chair.*

Thematic debate on theme 3: "Global partnership for sustainable development in the context of the post-2015 development agenda"

37. **Mr. Talbot** (Observer for Guyana and co-facilitator of preparations for the third international conference on financing for development) said that the concept of a global partnership for development as a set of commitments with regard to promoting development had had a long history at the United Nations, which included the Monterrey Consensus and the Doha Declaration. The concept had gained momentum in the follow-up to the 2000 Millennium Declaration with the introduction of the Millennium Development Goals, especially Goal 8, which addressed key building blocks for a more effective system of international development cooperation in five areas: ODA; market access and trade; external debt sustainability; access to affordable essential medicines; and new technologies, especially in the areas of information and communications. It also emphasized the special needs of least developed countries, landlocked developing countries and small island developing States. Goal 8 played a critical role in the Millennium Development Goals framework, as it spoke to the means of implementation of the other Goals and was the only Goal that recognized the importance of an enabling external economic environment to complement domestic development efforts and enhance the efficacy of cooperation initiatives.

38. The commitments in Goal 8 relating to financing for development had been further fleshed out in the Monterrey Consensus, which embodied a historic compact between developed and developing countries and promoted a holistic and comprehensive approach to financing for development aimed at addressing national, international and systemic issues. The Monterrey Consensus recognized that developing countries were primarily responsible for their own development, but that their development efforts should be supported by an enabling and supportive international environment. It contained a wide range of commitments by both developed and developing countries, and provided a template for an effective system of international development cooperation that included ODA, market access and debt sustainability as three of its key areas, but also addressed domestic resource mobilization, private financing flows and systemic issues. Since its formulation, the global partnership had inspired serious efforts and galvanized action by all stakeholders across a range of policy areas.

39. After significant increases in ODA throughout the first decade of the new millennium, momentum in reaching the United Nations target of allocating 0.7 per cent of gross national income to development aid had stalled in recent years. Consequently, positive signals on ODA would be helpful for the financing for development exercise and should be encouraged. There remained a need for greater access to affordable essential medicines to accelerate the progress being made on the achievement of the health-related Millennium Development Goals. There was still a need to increase access to and the affordability of the Internet. Technology transfer and access to green technologies and technologies for climate change mitigation and adaptation, disaster risk reduction and resilience were also needed. In that context, special attention should be given to strengthening the domestic capabilities and national innovation systems of developing countries.

40. In addition to fostering further progress in those critical areas, aimed at finishing the unfinished business of the Millennium Development Goals, a new global partnership for sustainable development would need to address new challenges and emerging issues, such as the impact of the financial crisis, additional costs of climate change mitigation and adaptation and damage to the environment, as well as changes to the international development landscape. The post-2015 development agenda should take into consideration the economic, social and environmental dimensions of sustainable development, which would require a strong commitment and concerted action by all relevant stakeholders. In view of the major challenges the world was facing, the global partnership for sustainable development would need to engage all relevant stakeholders, galvanizing action at the local, national and global levels. Only a joint effort, leveraging the strengths of all actors, including civil society, the private sector, local governments, national parliaments and others, would permit the realization of the shared vision embodied in a sustainable development agenda.

41. The success of the global partnership for sustainable development would depend on the active engagement of all partners and the ability to design a framework that optimized the contribution of all. In that connection, there was a need for clearer monitoring and accountability mechanisms. In the context of the United Nations, it was important to encourage private sector entities to participate in the process and to find ways of measuring contributions that were made to the achievement of the common objectives, goals and aspirations of the partnership. The global partnership for sustainable development would thus rely on the renewed commitments of public stakeholders and on the flexibility to engage all stakeholders to draw on their respective strengths. To that end, it would need to be embedded in a broad and comprehensive financing framework for sustainable development. Such a framework would contain renewed and strengthened commitments, while providing guidance to all relevant stakeholders in their efforts to contribute to sustainable development.

42. **Mr. Tomasi** (Deputy-Director, Development Cooperation Directorate, Organisation for Economic Co-operation and Development (OECD)) said that the Development Assistance Committee of OECD was in the process of modernizing its statistical system for tracking its members' financing for development allocations. That modernization was designed to measure more effectively development finance flows beyond ODA; to bolster the credibility of the ODA indicator; and to establish incentives for the mobilization of resources and a more effective allocation of those resources based on the specific needs of sectors to be financed. The global development finance landscape had changed dramatically over the years. When the concept was first devised in 1970, ODA represented 50 per cent of total external financing received by developing countries, but that proportion dropped to 23 per cent in 2000 and 18 per cent in 2012. Over the same period, private capital flows rose sharply, with foreign direct investment and portfolio flows representing 45 per cent of the total in 2012 and personal remittances accounting for 24 per cent.

43. Over the past 30 years, the economies of developing countries had followed divergent trajectories in terms of their growth, poverty, human development and per capita income rates. In the case of per capita income, for example, the performances ranged from US$200 in the Democratic Republic of the Congo to US$14,000 in Chile. Developing countries also had divergent experiences with financing for development. While ODA accounted for an average of 40 per cent of domestic fiscal resources and 70 per cent of external resources of least developed countries, it was starting to play a rather marginal role in the economies of the higher tranche of medium-income countries, accounting for only 6 per cent of their external financing.

44. Although it was heavily criticized in many circles, ODA still played and would continue to play a major role in the development of the poorest countries, especially the least developed countries and fragile States. Against that backdrop, recent figures for ODA provided by member countries of the Development Assistance Committee were somewhat encouraging, reaching a record US$135 billion, or a 6.1 per cent increase in real terms, in 2013. Nonetheless, the 0.8 per cent and 0.4 per cent decrease in ODA to sub-Saharan Africa in 2012 and 2013, respectively, along with the downtrend in such assistance to the least developed countries, remained a cause for concern.

45. To qualify as ODA, funds provided by donor countries had to meet three criteria: be official; be allocated to an economic and social development programme in a developing country appearing on the list established by the Development Assistance Committee, with per capita income of less than US$12,800; and be concessional in nature and include a grant element of at least 25 per cent, calculated based on a 10 per cent interest rate. However, owing to changes on financial markets with low rates and abundant liquidity, many actors found a 10 per cent interest rate to be too generous. Considering that loans often had a maturity period of 15 to 20 years and a grace period of 5 to 7 years, donors could easily meet the 25 per cent concessionality benchmark even with loans that had no direct budgetary cost.

46. That situation had an impact on both donors and recipients: for donors, the goal of comparing the budgetary effort of donors for development became pointless. In fact, more than half of donors continued to provide ODA exclusively through grants, which had a high budgetary cost, while others had completely eliminated their non-concessional loans, including non-grant loans. For recipients, the current system tended to generate distortions in resource allocation. Given the pressures on donor countries to reach or

come close to the 0.7 per cent target, it provided a strong incentive for non-concessional loans, which only benefited developing countries that could sustain loans, thereby creating a preference for loan to medium-income countries to the detriment of concessional flows to least developed and low-income countries.

47. Currently, ODA was calculated on a net basis, after subtracting loan repayment amounts from gross disbursements to recipients. Based on that system, a donor's official development assistance for a given year could be severely affected by repayments of loans allocated several years before, leading to a discrepancy between the political decision to provide ODA and the ODA outcomes. That created a disincentive because it did not always reflect the Government's budgetary effort. In addition, over the life of the loan, the principal did not generate any ODA, since it would be fully repaid by the borrower, albeit often over a period of 10 to 20 years. Recipient countries also had growing financing needs to deal with new threats, from security to the environment.

48. In considering possible solutions to those problems, the Development Assistance Committee was guided by two criteria: make adjustments without changing the system dramatically, including in the volume of overall ODA and the general philosophy behind the system; and enhance the credibility of the ODA system. As possible solutions, the Committee intended to refocus ODA on the grant element of loans rather than on their face value, such that only the grant element and not the principal would be taken into account in measuring ODA. That approach would neutralize any distortion in the choice of instruments, which would then depend on the nature of the project to be financed and whether or not the recipient country was capable of sustaining a loan. The comparison of donor efforts would then focus more on their budgetary effort.

49. The Committee would harmonize its loan discounting practices with those of the World Bank and the International Monetary Fund by establishing a system of differentiated rates that measured the risk cost by country. ODA would also be refocused on countries that needed it the most, a goal that made even more sense if the focus of ODA was more on the grant element. The Committee had made other recommendations to its members, but could, for example, recommend that a given percentage of ODA should be allocated to a limited list of countries, such as fragile countries, countries with a high poverty rate, or countries without access to international financial institutions. It proposed that a second indicator should be established for a better assessment of total official financing for development, including non-concessional financing, and that financing incentives should be provided to help fuel economic growth, job creation, access to energy and climate mitigation initiatives in developing countries. Nonetheless, ODA would remain at the heart of the financing for development system.

Interactive dialogue

50. **Mr. Lusiani** (Center for Economic and Social Rights) said that, as had been clearly set out in the United Nations Millennium Declaration, human rights were an integral part of the common set of principles required for coherence, coordination and cooperation in the context of financing for sustainable development. The State was primarily responsible for ensuring human rights in development. The role of the private sector, though important, should be subservient to that of sovereign Governments, since business incentives, such as tax exemptions and poor labour and environmental protection, often weakened the foundations of sustainable development, drove inequality and undermined human rights. According to analysis by the United Nations and other credible sources, additional public funding of some $1.5 trillion could be unleashed annually through appropriate domestic and global fiscal policies. As well as decreasing dependence on private financing, such policies could reduce social and economic inequality by making the generation and use of public resources more transparent, participatory and accountable.

51. The sustainable development goals provided a once-in-a-generation opportunity to support investment by Governments in human-rights-based fiscal policies and to democratize and retool a defunct global tax regime. To help meet those aims, a number of specific targets could be set, namely, to reduce economic inequalities within countries by enhancing progressive taxation on income and wealth; to end cross-border tax evasion, secure the return of stolen assets and progressively combat tax abuses; to raise sufficient public resources to finance high-quality essential services, for example, through a commitment to a domestic resource floor of 20 per cent tax/GDP; to promote fiscal transparency, accountability and

participation, with increased equality analysis; and to set minimum spending benchmarks for each goal, drawing on existing commitments.

52. The global partnership for development required clear lines of accountability based on existing international human rights law, together with the integrated, independent reporting of performance, and credible penalties to prevent any conflicts of interest in which partners abused the prestige and hard-won legitimacy of the United Nations by providing funding while simultaneously undermining human rights and sustainable development. Human-rights-centred fiscal policies at both the individual and global levels were crucial not only as a matter of justice but in order to ensure a more predictable, accountable, equitable and coherent system for financing sustainable development.

53. **Mr. Blair** (Antigua and Barbuda), speaking on behalf of the Caribbean Community (CARICOM), said that the CARICOM countries associated themselves with the statements made at the Council's 9th meeting (E/2014/SR.9) by the representative of the Plurinational State of Bolivia on behalf of the Group of 77 and China and the observer for Costa Rica on behalf of the Community of Latin American and Caribbean States (CELAC). The implementation of Millennium Development Goal 8, currently lagging far behind that of the other Goals, should be a key objective for the eradication of poverty and the establishment of sustainable development objectives for the post-2015 development agenda. Developed countries should therefore fulfil their commitment to continue to provide developing countries with ODA, including technology transfer and capacity-building, and recommit to meeting targets in accordance with an agreed timetable. Although responsibility for development lay primarily at the national level, ODA remained essential, not only for leveraging private sector finance, but also as the basis for a strong global partnership for development.

54. The CARICOM countries were characterized by small, open economies with narrow resource bases, which were highly vulnerable to external shocks. They therefore required expanded concessionary financing and effective measures for debt relief, as well as an adequate voice and representation in a reformed international financial system, in order to ensure that their development gains were not reversed. Their environmental and developmental vulnerability, which had long been recognized within the United Nations system, was set to become even more pronounced, according to the latest findings of the Intergovernmental Panel on Climate Change, and they were already beginning to experience more frequent and severe weather events. However, their treatment in the context of the world economic institutions, including the international financial institutions, did not reflect that reality. A more dynamic assessment of development and growth was needed, since per capita GDP measures did not take sufficient account of the highly exposed and vulnerable nature of Caribbean economies. Furthermore, their classification as high- and middle-income countries obscured persistent structural challenges that resulted in limited fiscal space and increasingly chronic debt sustainability challenges.

55. With reference to the comments made at the morning meeting (E/2014/SR.9) by the European Union Commissioner for International Cooperation, Humanitarian Aid and Crisis Response, it should be stressed that economic fragility in developing countries was linked not only to instability caused by conflict but also to external environmental challenges that would become increasingly severe. While the Commissioner had acknowledged the negative impact of natural disasters on the economies of developing countries, CARICOM wished to highlight that extreme weather events had already proved very costly for some countries in its region. The need to address such vulnerabilities was therefore immediate and pressing. Furthermore, although there were close linkages between humanitarian assistance and development priorities in some developing countries, they remained two separate matters. In order to achieve poverty eradication in support of sustainable development, development assistance could not be limited to short-term, reactive humanitarian aid, but must be focused on leveraging public and private finance in a balanced manner in order to support national economic diversification efforts and consolidate and sustain development gains.

56. Trade was a critical element of the global partnership for sustainable development. The Doha Development Round and the Bali Package were fundamental to enabling the implementation of the post-2015 development agenda, and the issue of trade must be addressed in concrete terms throughout that framework. Notwithstanding the aim of reducing tariffs worldwide, the proliferation of non-tariff measures

continued to hinder market access for CARICOM countries, which in turn limited their fiscal space and prejudiced efforts to address debt sustainability. An effective global partnership in support of sustainable development would require the continued participation of the international financial institutions, the World Trade Organization and the United Nations Conference on Trade and Development in the deliberations of the Council, which had an important multidimensional role to play in bringing together parties from various sectors, Governments and institutions for open, transparent and focused policy discussions.

57. **Mr. Ross** (Observer for Statera Capital) said that his organization worked with donors, developers, banks, development finance institutions, Governments, investors and communities in sub-Saharan Africa to develop projects and companies from the point of feasibility through to financial closure, helping to create assets in which the private sector would invest. The dialogue at the current meeting had been encouraging and gave strong grounds for optimism. He was also optimistic about the ability of the United Nations system to achieve its goals, owing to the potential for technological and regulatory leapfrogging by less developed countries.

58. On the topic of innovative financing, it was important not only to develop new financing mechanisms, but also to focus on the adaptation and distribution of existing mechanisms for use in new areas. Governments also needed to streamline the process for granting permits to companies seeking to invest in sectors of particular national interest, such as electricity provision. Locating all the relevant government services and resources in one physical location would help reduce development roadblocks, including corruption.

59. The United Nations and other multilateral institutions should explore the provision of common toolkits to increase diffusion of the necessary intellectual capital for project development in specific countries and regions. Such toolkits, templates and agreed metrics would help to close the significant knowledge gap that existed between the private sector, countries, donors and investors on how to make a project bankable.

60. **Ms. Henning** (Programme Management Officer, United Nations Office on Drugs and Crime (UNODC)) said that the international community had increasingly recognized the rule of law and good governance as the foundation of the Organization's work in promoting the goals of sustainable development, peace and security, and the protection of human rights. An improved understanding of the link between drugs, crime, social cohesion and a society based on the rule of law was therefore needed as Member States sought to reach decisions on the post-2015 development agenda. Three important topics for consideration in that regard were anti-corruption measures, access to justice and personal security; it would be vital to build global partnerships to integrate those elements into development frameworks in order to address identified shortcomings of the current Millennium Development Goals.

61. In its engagement with the post-2015 process, UNODC sought to assist its partners in meeting their obligations under the United Nations Convention against Corruption, the United Nations Convention against Transnational Organized Crime, the various international drug control conventions and the terrorism prevention instruments, as well as in building responses to crime in line with the rule of law and human rights. In order to connect issues of drugs and crime to development, its national and regional stakeholders required data and evidence to formulate effective sustainable policies and measure progress towards their implementation, which included strengthening their national crime prevention and criminal justice statistical systems. UNODC worked closely with Member States in the collection and analysis of data, which it subsequently published in reports setting out trends on which countries could base their development responses. In 2013, the Office had also led consultations with a broad coalition of experts to develop a technically sound and solid measurement framework for that purpose, which had guided its work with the United Nations system in the provision of inputs to the Open Working Group on Sustainable Development Goals.

62. Global threats such as organized crime, trafficking and corruption could only be prevented and addressed through strong global partnerships between Member States, civil society and United Nations entities. The need to promote justice and the rule of law, while combating the threats that undermined them, must be reflected in the post-2015 development agenda.

63. **Mr. Warraich** (Observer for Pakistan) said that the discussions on the post-2015 development agenda

indicated that it would be broad and comprehensive in scope. A "business as usual" approach to the partnership for development concept would not work. The new agenda would require a deepened, renewed and strengthened global partnership, focused on transformation towards sustainability while also facilitating economic growth and inclusive development. It would be important to bring on board all relevant stakeholders, including the private sector and civil society, while ensuring that Governments maintained the leading role. The fundamental task of the global partnership for development should be to promote self-reliance in countries, facilitating the development of home-grown economic plans and policies and the mobilization of resources at the national level, while taking into account the distinct circumstances of each State.

64. In that regard, the systemic issues that hindered countries in their efforts to implement national economic policies should be carefully evaluated and addressed. Furthermore, the global partnership for development must not ignore the continued debt problems faced by some countries, including those not covered by the Heavily Indebted Poor Countries Initiative, the soft-pedalling of institutional reforms in the global economic system, and the continued inability of developing countries to benefit from the full potential of migration, access to technology and foreign direct investment. While the spirit of the Monterrey Consensus and Millennium Development Goal 8 remained relevant, it must be backed by a renewed political commitment. All elements of the global partnership for development needed a sharper focus; measurability was also required to ensure the delivery of results.

65. **Ms. Morgan** (Observer for Mexico) said that a genuine global partnership, in keeping with the spirit of Goal 8 and the holistic approach to resource mobilization adopted in the Monterrey Consensus and the Doha Declaration, was needed to create a favourable environment for the effective implementation of the post-2015 development agenda. In that regard, the third international conference on financing for development should serve as the means of firmly establishing the new global partnership.

66. Mexico would be hosting the first ministerial meeting of the Global Partnership for Effective Development Cooperation, with the participation of high-level representatives from all regions of the world. In doing so, Mexico hoped to consolidate the concept of a global partnership in which national and local governments, civil society, the business sector and parliamentarians participated as a means of responding effectively to the major challenges facing the international community; to promote dialogue and agreement between various State and non-State actors in order to strengthen and advance the effective development cooperation agenda and leverage the impact of cooperation; to begin a dialogue that took into account the perspective of middle-income countries, such as Mexico, that were both donors and recipients; and to strengthen discussion on South-South and triangular cooperation as an important modality for international cooperation, while bearing in mind its specific characteristics and the way it differed from traditional cooperation.

67. **Ms. Zolcerová** (Observer for Slovakia) said it was clear that public resources alone were not sufficient to achieve sustainable development goals. A more innovative, creative and open-minded approach, involving global partnerships and strong political leadership, was therefore required in the framework of the post-2015 development agenda. In particular, innovative public-private partnerships would be needed to mobilize large-scale financing for development. While sustainable development would certainly require the leadership of international and multinational corporations, it was vital to identify whether private sector input had development, human rights and poverty eradication objectives, and whether those issues were considered positive for the recipients.

68. It must be recognized that each country had primary responsibility for its own development and that developing countries were capable of assuming responsibility for their own future. Dialogue must be deepened between donors and recipients, in order to tailor global actions to local conditions and help countries in transition to build their capacities, since a lack of capacity could significantly influence the absorption of external assistance and the speed of reforms. Slovakia, which had started its own transition process only two decades earlier, could share its experiences and contribute to that process.

69. **Ms. Samuels** (Observer for the Global Clearinghouse for Development Finance (GlobalDF)), speaking as Vice-Chair of the Business Steering Committee on Financing for Development, said that, after more than 12 years of trying to develop concrete

applications to realize the promise of the Monterrey Consensus, "business as usual" was clearly no longer an option. In order to open the floodgates for private capital that genuinely delivered on sustainability and development, a more operational and effective approach was needed on the ground. Given that capital was raised on a project basis, it was important to determine how partners could work together in support of projects. There was a current lack of coherence between local or national governments and development partners in identifying viable projects that worked for local stakeholders.

70. Improving project identification, development and financing needed technical input on how to structure projects legally within a given country. The risk mitigation tools and project preparation facilities that had already been developed by the business sector were not being utilized; further innovations should also be explored. In addition, governments and the private sector required more effective capacity-building, and there was a need for greater coherence between the working groups of development partners on the ground, better toolkits and improved operational approaches. GlobalDF had begun work on that process in support of financing for development, with the backing of Switzerland, Norway and the Ford Foundation, among other partners, but more remained to be done.

71. On the topic of financial innovation, the potential of institutional investors would never be unlocked until there was a pipeline of bankable, viable projects. Greater innovation was also needed to consider how institutional investors could lengthen the tenor of bank finance, especially in the light of the latest reforms of the Basel Committee on Banking Supervision. Despite the potential benefits of such innovation, investment in financial advisory services by Governments and development partners was currently inadequate. In the area of performance management, the research done by OECD was to be welcomed. Although, in 2008, GlobalDF, jointly with Reuters, had launched the first league tables measuring the effectiveness of development finance institutions in mobilizing private sector capital, there was still a lack of adequate tools to track, monitor and highlight failures in private sector mobilization by the official sector. More work was therefore needed in that regard. The provision of ODA for risk mitigation would be a key operational incentive to utilize such tools fully and local stakeholders and Governments must be empowered to know what technical support and risk mitigation was available.

72. **Ms. Paramundayil** (Observer for the Society of Catholic Medical Missionaries), recalling the findings of the latest report of the Intergovernmental Panel on Climate Change, said that a global partnership was essential to achieve inclusive and sustainable development, and especially to address the growing inequalities caused by climate change and its disproportionately severe impact on people living in poverty. Unsustainable economic growth and consumption had costs for the planet and action must be taken before it was too late.

73. The universal provision of social services, with investment in health, education and social protection through public funding, was critical for reducing poverty. More than 76 per cent of the world's population still lived without adequate social protection coverage, and, according to OECD, developing countries lost far more through tax evasion than they received through ODA. The action taken at a recent G20 meeting in Sydney, Australia, to combat global tax evasion was therefore a welcome step. However, more progressive tax systems should also be adopted to help reduce income inequality while increasing social cohesion and stability, in line with the World Bank's new goal of shared prosperity.

74. The post-2015 development agenda should be underpinned by a strong and comprehensive financing framework based on the Monterrey Consensus and the Doha Declaration. Furthermore, all Governments must recognize their responsibility to guarantee the human rights and interests of their peoples. Partnerships were needed in the design and implementation of policies that would ensure progress towards the establishment of low-carbon economies and societies, including a shift from fossil fuels to renewable energies. While the private sector had an important role to play in driving economic dynamism and a healthy employment market, the profit-seeking activity of private companies must be balanced by a strong and stable regulatory framework to ensure a level playing field and equal status for all partners.

75. Recalling the need to address the root causes of poverty, conflict and inequality, she urged all multinational institutions to work together to achieve the universal goals of development, security and peace,

which went hand in hand. Human rights must be at the core of the post-2015 development agenda, together with a commitment by Governments to address global asymmetries in such areas as trade, debt, finance, ODA and taxation, in order to mobilize the resources needed to achieve sustainable development.

76. **Mr. Talbot** (Observer for Guyana and co-facilitator of preparations for the third international conference on financing for development, said it was clear that new ways must be found to strengthen the global partnership for sustainable development in order to make a difference on the ground. The development of the global partnership was a work in progress and the collective wisdom and engagement of all was needed to take that process forward.

77. **Mr. Tomasi** (Deputy Director, Development Cooperation Directorate, Organisation for Economic Co-operation and Development) said that domestic resource mobilization was now showing considerable momentum. OECD had presented an action plan on base erosion and profit shifting to the G20 in 2013 and it was now preparing a new action plan, more focused on the situation of low-income countries, for the G20 Development Working Group. While greater resource mobilization was certainly still needed, financial flows for development must also be managed more efficiently. Progress could in particular be achieved by implementing the principles of the Paris Declaration on Aid Effectiveness.

The meeting rose at 6.25 p.m.